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European Union

Agricultural Situation

EU Agricultural Budget

2002

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Report Highlights:

FY 2002 appropriations set the total EU agriculture budget at Euro 44.5 Billion, similar to FY 2001.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
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FY 2002 Budget highlights

Total appropriations for FY 2002 EU agricultural expenditure are set at **€** 44.5 Billion, a level comparable to FY 2001 and well within the EU's self-imposed budgetary limits. The agricultural budget represents approximately fifty percent of the total EU budget, with expenditure on structural development funds, transport and fisheries making up another approximately 35 percent. Significant sector-specific changes in the 2002 budget are highlighted below and the breakdown of expenditure by category is shown in tables 1 through 7.

Crop Products

Expenditure on sugar has decreased in FY 2002 as a result of the elimination of storage subsidies under the new sugar regime effective July 1, 2001. Expenditure on the vine-growing sector (wine) has increased by 16 percent from FY 2001 to **€** 1.4 million in FY 2002, which represents an 83 percent increase over FY 2000. This is mainly due to an increase in expenditure on distillation of surplus wine and associated storage costs as well as the introduction of a new category of expenditure for restructuring and conversion of vineyards under the wine reform of August 2000 (see GAIN report E21111). Expenditure on processed fruits and vegetables has increased as a result of a higher threshold for payments to processed tomato producers as part of the 2001 reform of the fruit and vegetable regime.

Expenditure on export refunds for grains and grain products has also been reduced significantly as a result of the strong dollar and the European Commission's policy of granting export licenses only with zero refund for wheat and barley. Per hectare aid for arable crops has increased compared to the FY 2000 level in compensation for the price reductions under Agenda 2000.

Livestock Products

Expenditure in the dairy sector has decreased mostly due to a reduced export restitution budget. Sluggish demand in world markets for some dairy products combined with low export restitutions for skim milk powder (SMP) resulted in significantly lower expenditure. In addition, storage costs have been reduced based on EU estimates that SMP intervention stocks will remain reasonably low.

Expenditure on beef and veal has increased due to a combination of higher premia under Agenda 2000 provisions and higher costs related to the BSE crisis. These include higher expenditure for slaughter/storage schemes and costs related to higher intervention stocks. The budget increase has been somewhat mitigated by lower restitution costs, due to weak export demand in world markets. Due to the suspension of restitutions on pigmeat in 2001, expenditure has decreased in this category. Currently, only processed products are eligible for restitutions. There has been also an increase in expenditure on veterinary measures due to costs related to BSE testing and Foot and Mouth Disease cull schemes.

FY 2002 FINAL EU AGRICULTURAL BUDGET			
TABLE 1 - EAGGF GUARANTEE SECTION Million Euro	APPROPRIATIONS		ACTUAL
	2002	2001	2000
PLANT PRODUCTS			
Arable Crops	17,916	17,848	16,663
Sugar	1,401	1,704	1,910
Olive Oil	2,366	2,473	2,210
Dried Fodder & Grain Legumes	385	384	381
Fiber Plants & Silkworms	956	831	991
Fruit & Veggies	1,650	1,647	1,546
Products of the Vine-Growing Sector	1,392	1,153	765
Tobacco	983	1,000	989
OTHER PLANT SECTORS OR PRODUCTS			
Seeds	110	100	110
Hops	12	12	13
Rice	178	196	228
TOTAL PLANT PRODUCTS	27,349	27,348	25,806
ANIMAL PRODUCTS			
Milk & Milk Products	1,912	2,345	2,532
Beef/Veal	8,095	6,978	4,540
Sheepmeat/Goatmeat	672	1,620	1,735
Pigmeat	70	88	354
Eggs/Poultrymeat	78	69	85
Aid for Bee-keeping	16	14	11
European Fisheries Guarantee Fund	17	16	9
TOTAL ANIMAL PRODUCTS	10,860	11,130	9,266

Table 1 continued			
ANCILLARY EXPENDITURES	Appr. 2002	Appr. 2001	Actual 2000
Refunds on certain products obtained by processing ag products	415	415	572
Food programs & Refunds in connection with food aid	106	123	134
Distribution of ag products to deprived persons in the EU	200	200	175
Programs for the most remote regions	239	252	232
Veterinary & Plant Health Measures	569	165	102
Monitoring and preventive measures for EAGGF	57	72	77
Clearance of previous years' accounts	-500	-700	-1078
Promotion Measures	79	67	59
Other Measures	261	417	904
TOTAL ANCILLARY EXPENDITURES	1,426	1,011	1,177
RURAL DEVELOPMENT & MONETARY RESERVE			
Rural Development	4,595	4,495	4,097
Monetary Reserve	250	500	-
TOTAL RURAL DEV. & MONETARY RES.	4,845	4,995	4,097
TOTAL EAGGF	44,481	44,484	40,346

TABLE 2: EU EXPORT REFUNDS FOR COMMERCIAL EXPORTS (million Euro)			
BREAKDOWN OF TABLE 1	APPROPRIATIONS		ACTUAL
	2002	2001	2000
Wheat & Flour	12	78	409
Barley & Malt	-	70	253
Durum, Durum Flour, Groats & Meal	-	-	2
Other Cereals	68	113	159
Sugar & Isoglucose	1,190	1,191	1,439
Olive Oil	-	-	-
Fresh Fruit and Vegetables	35	40	33
Processed Fruit and Vegetables	8	10	13
Products of the vine-growing sector	25	35	22
Rice	32	23	38
Butter & Butter oil	323	326	338
Skimmed Milk Powder	41	114	276
Cheese	225	251	226
Other Milk Products	388	575	831
Beef/Veal	488	572	661
Pig meat	70	88	262
Eggs	8	10	13
Poultry meat	70	59	73
TOTAL	2,983	3,555	5,048
REFUNDS ON CERTAIN GOODS OBTAINED BY PROCESSING AGRICULTURAL PRODUCTS			
Cereals & Rice	67	65	79
Spirituous Beverages	1	7	16
Sugar & Isoglucose	193	179	190
Skimmed Milk & Other Milk Products	64	78	194
Butter	86	82	87
Eggs	4	4	5
Other Ag Products	-	-	1

TOTAL	415	415	572
GRAND TOTAL	3,398	3,970	5,620

TABLE 3: EU EXPORT REFUNDS FOR FOOD AID (million ECU)

BREAKDOWN OF TABLE 1	APPROPRIATIONS		ACTUAL
	2002	2001	2000
Cereals	1	5	17
Rice	12	12	2
Sugar	2	2	5
Milk Powder	1	2	2
GRAND TOTAL	16	21	26

TABLE 4: EU STORAGE COSTS FOR INTERVENTION (million Euro)

BREAKDOWN OF TABLE 1	APPROPRIATIONS		ACTUAL
	2002	2001	2000
Cereals	263	288	355
Sugar	16	335	312
Wine & Grape Must	63	52	50
Rice	27	29	25
Skimmed Milk Powder	-	-	7
Butter & Cream	8	12	11
Beef/Veal	207	59	12
Sheep meat/Goat meat	8	1	4
GRAND TOTAL	592	776	776

TABLE 5: DIRECT PAYMENTS (million Euro)			
BREAKDOWN OF TABLE 1	Appropriations		Actual
	2002	2001	2000
ARABLE CROPS			
Per hectare aid for arable crops (small producers)	3,927	3,874	2,248
Per hectare aid for arable crops (large-scale producers) and aid for durum wheat	11,683	11,458	10,907
Set-aside	1,661	1,564	1,858
TOTAL ARABLE CROPS	17,271	16,896	15,013
OLIVE OIL			
Production aid & related schemes related to production of olive oil	2,298	2,391	2,156
TOTAL OLIVE OIL	2,298	2,391	2,156
DRIED FODDER & GRAIN LEGUMES			
Production aid for dried fodder	313	312	312
Production aid for grain legumes	72	72	69
TOTAL DRIED FODDER & GRAIN LEGUMES	385	384	382
FIBRE FLAX & HEMP			
Production aid for fibre flax	-	74	120
Production aid for hemp	-	14	16
TOTAL FIBRE FLAX & HEMP	-	88	136
FRESH FRUIT & VEGETABLES			
Compensation for withdrawals & buying in	143	158	169
Operational funds for Producer Organizations	386	380	270
Specific measures for hazelnuts producers	-	4	10
Nuts	45	94	107
TOTAL FRESH FRUIT & VEGETABLES	574	636	556
PROCESSED FRUIT & VEGETABLES			
Production aid for processed tomato products	285	215	279
Production aid for fruit-based products	83	80	84

Table 5 continued	Appropri. 2002	Appropri. 2001	Actual 2000
Production aid & intervention for processed dried grape products	127	125	122
Compensation to encourage processing of citrus fruits	231	189	215
Production aid for processed raspberries	-	1	1
Specific measures (aid for asparagus)	-	1	1
TOTAL PROCESSED FRUIT & VEGETABLES	726	611	702
TOBACCO			
Premiums for tobacco	970	987	985
TOTAL TOBACCO	970	987	985
RICE			
Per hectare aid	114	129	124
TOTAL RICE	114	129	124
BEEF/VEAL			
Suckler cow premiums	1,880	1,736	1,566
Additional premiums for suckler cows	97	102	63
Special premiums	1,788	1,619	1,299
Deseasonalisation premiums	-	-	3
Slaughter premiums bovine animals	1,184	716	8
Extensification premiums	891	757	715
Exceptional support measures	390	346	292
Compulsory slaughter program	75	13	21
Additional payments	322	161	-
Other intervention	466	733	1,624
TOTAL BEEF & VEAL	7,093	6,183	5,591
SHEEP MEAT & GOAT MEAT			
Ewe and goat premiums	535	1,251	1,365
TOTAL SHEEP- & GOAT MEAT	535	1,251	1,365
GRAND TOTAL	29,966	29,556	27,010

OTHER APPROPRIATIONS

(Structural operations, financial mechanism, other agricultural and regional operations, transport and fisheries)

TABLE 6: STRUCTURAL FUNDS (million Euro)			
OBJECTIVE 1: European Agricultural Guidance and Guarantee Fund (EAGGF), Financial Instrument for Fisheries Guidance (FIFG), European Regional Development Fund (ERDF), European Social Fund (ESF), Completion of earlier programs.			
	Commitments 2002	Commitments 2001	Outturn 2000
EAGGF GUIDANCE SECTION	2,630	2,625	1,239
FIFG	387	404	324
OTHER STRUCTURAL MEASURES OUTSIDE OBJECTIVE 1 AREAS			
FIFG	169	164	143
INNOVATORY MEASURES AND TECHNICAL ASSISTANCE The innovatory measures include studies, pilot projects and exchanges of experience. Technical assistance covers preparatory, monitoring, evaluation and supervision measures.			
EAGGF	7	15	-
FIFG	3	3	1
TOTAL EAGGF & FIFG	3,196	3,203	1,707

TABLE 7: TOTAL OTHER APPROPRIATIONS	COMMITMENTS (in million Euro)		
	2002	2001	Outturn 2000
STRUCTURAL FUNDS			
EAGGF & FIFG	3,196	3,203	1,707
Other Ag Operations	55	54	49
HUMANITARIAN AND FOOD AID			
Food Aid & Support	455	455	458
ADMINISTRATIVE COSTS			
Administrative costs (distributed as 52% percent total budget in FY 2002, 52% in FY 2001 and 44% in FY 2000)	1,762	1,673	1,329
TOTAL OTHER APPROPR.	5,469	5,385	3,543

